

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

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TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 SAM-01

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TO SECSTATE WASHDC PRIORITY 9594

INFO ALL EC CAPITALS PRIORITY 1090

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E.O. 11652: N/A

TAGS: EEC, ETRD

SUBJECT: ARTICLE 113 COMMITTEE MEETING OF SEPTEMBER 19

REFS A. EC BRUSSELS 8337

B) STATE 224255

C) STATE 223609

D) GENEVA 7205

1. SUMMARY: THE EC ARTICLE 113 COMMITTEE, IN ITS MEETING OF SEPTEMBER 19, REACHED A MEASURE OF AGREEMENT REGARDING THE SIGNIFICANCE OF POTENTIAL US TRADE ACTIONS THREATENING EC TRADE. HOWEVER, THE MEMBERS OF THE COMMITTEE COULD NOT AT THIS POINT AGREE ON WHAT ACTION TO TAKE, AND INSTEAD PROPOSED THAT THE FULL COMMISSION CONSIDER THE PROBLEM NEXT. THE COMMITTEE ALSO DISCUSSED PROBLEMS INVOLVED IN NEGOTIATING ON AGRICULTURE IN THE MTNS AND IN THE LONDON GRAINS MEETING. RABOT PRESENTED A REPORT ON HIS DISCUSSIONS IN WASHINGTON WHICH WAS VAGUE AND IMPERFECTLY UNDERSTOOD BY MEMBERS OF THE COMMITTEE, BUT WHICH LEFT THE MATTER OF ORGAN-  
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IZATION OF NEGOTIATIONS ON AGRICULTURE IN THE MTNS

IN HIS HANDS. THE COMMITTEE AGREED THAT THE COMMUNITY SHOULD PARTICIPATE IN THE NEXT LONDON GRAINS MEETING IF PROGRESS WAS BEING MADE IN GENEVA. END SUMMARY.

2. THE FOLLOWING REPORT ON THE SEPTEMBER 19 MEETING OF THE EC ARTICLE 113 COMMITTEE IS BASED ON BRIEFINGS BY DENMAN OF THE BRITISH DEPARTMENT OF TRADE AND BY A WORKING LEVEL SOURCE IN THE BRITISH PERMREP.

3. THE ARTICLE 113 COMMITTEE MEETING HAD THREE MAIN SUBJECT: US PROTECTIONISM; AGRICULTURE IN THE MTN; AND THE LONDON GRAINS MEETING.

4. US PROTECTIONISM; THE DISCUSSION BEGAN WITH THE PRESENTATION OF THE COMMISSION PAPER DESCRIBED IN REF A. THREE QUESTIONS WERE THEN POSED TO THE COMMITTEE. FIRST, WOULD THE MEMBERS AGREE WITH THE ANALYSIS IN THE PAPER, THAT THERE IS A DRIFT TOWARD PROTECTIONISM IN THE US, BUT THAT THIS DOES NOT REFLECT A CONSCIOUS USG POLICY. TWO, SHOULD THIS PROBLEM BE TAKEN UP WITH THE US GOVERNMENT. THREE, IF SO, WHEN AND HOW. IT WAS EASY FOR THE MAJORITY OF PARTICIPANTS IN THE ARTICLE 113 COMMITTEE TO AGREE ON THE FIRST TWO POINTS, WHATEVER THEIR ASSESSMENT OF THE DEGREE OF INVOLVEMENT OF THE US GOVERNMENT IN THE PROTECTIONIST TREND. THE FRENCH ARGUED FOR PINNING THE BLAME ON THE US ADMINISTRATION AND REPEATED THEIR BY-NOW FAMILIAR LINE THAT THE USG IS PILING UP "HOSTAGES FOR THE MTNS".

5. THERE WAS CONSIDERABLE DIVERGENCE ON THE THIRD POINT, HOWEVER, THE FRENCH URGED THAT THE COMMISSION PAPER ON PROSPECTIVE RESTRICTIVE US TRADE ACTIONS BE REFERRED IMMEDIATELY TO THE EC COUNCIL OF MINISTERS WITH A RECOMMENDATION FOR HIGH LEVEL REPRESENTATIONS TO THE US GOVERNMENT ON THE FULL SPECTRUM OF THESE ACTIONS. THE UK REPRESENTATIVE (DENMAN) ARGUED THAT WHILE EVENTUALLY SUCH AN APPROACH SHOULD PERHAPS BE MADE, THIS WAS NOT THE RIGHT MOMENT TO DO SO. THE ADMINISTRATION FLEXIBILITY IN MANY OF THE ACTIONS LIMITED OFFICIAL USE

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UNDER CONSIDERATION COULD BE EXERTED ONLY AT THE END OF THE PROCEDURES SET FORTH BY LAW. IT WAS BEST, THEREFORE, TO WAIT UNTIL THE PROCEDURES HAD RUN THEIR COURSE. HE WAS SUPPORTED BY THE GERMAN AND ITALIAN REPRESENTATIVES (STEEG AND FRACASSI). THE UK REPRESENTATIVE ARGUED PROCEDURALLY FOR REFERRING THE COMMISSION PAPER TO THE FULL COMMISSION (WHICH HAS NOT YET CONSIDERED IT). THE COMMISSIONERS SHOULD DECIDE

WHETHER AND WHEN TO SUBMIT THE PAPER TO THE COUNCIL.  
DENMAN WAS SUPPORTED AGAIN BY THE GERMANS AND ITALIANS  
AND ALSO BY THE COMMISSION (HIJZEN). OUR UK MISSION  
SOURCE NOTES THAT THE DELAY WON BY THIS PLOY, WHICH  
WAS AGREED TO BY THE ARTICLE 113 COMMITTEE, MAY NOT  
BE A LENGTHY ONE.

6. WHILE COMMUNITY ACTION ON THE OVERALL ISSUE IS,  
AT LEAST FOR THE MOMENT, DELAYED, THE COMMITTEE  
AGREED TO SEND A SEPARATE NOTE ON THE ANTI-DUMPING  
CASE, WHICH CAN BE EXPECTED IN THE NEAR FUTURE. THE  
ARTICLE 113 COMMITTEE DEPUTIES IN THEIR MEETING OF  
SEPTEMBER 12 HAD ALREADY AGREED TO PRESS FOR AN EARLY  
MEETING OF THE GATT ANTI-DUMPING COMMITTEE(AS CON-  
FIRMED BY REF D).

7. AGRICULTURE AND THE MTNS: RABOT REPORTED ON HIS  
DISCUSSIONS IN WASHINGTON EARLIER IN THE WEEK WITH  
DENT AND OTHERS. HE SAID THAT THE TWO SIDES HAD NOT  
DRAFTED TEXTS OF AGREEMENT BECAUSE THE ISSUES INVOLVED  
WOULD HAVE TO BE DISCUSSED WITH OTHER PARTICIPANTS IN  
THE MTNS. RABOT SAID THAT INITIALLY THE US HAD TAKEN  
THE VIEW THAT THE AGRICULTURE GROUP HAD A SUBORDINATE  
RELATION, AND ONE BASED ONLY ON ITS EXPERTISE, TO THE  
OTHER MAIN MTN GROUPS. HOWEVER, EVENTUALLY THE US  
BECAME MORE FLEXIBLE, HE SAID. AS A RESULT, THE THREE  
PRODUCT SUBGROUPS WILL CONTINUE, WITH A SUGAR SUB-  
GROUP POSSIBLY BEING ADDED. FURTHERMORE, A FOURTH  
"BASKET" SUBGROUP WILL CONSIDER ALL OTHER PRODUCTS.  
THIS, RABOT SAID, WOULD BE AN "AUTONOMOUS" ACTIVITY  
OF THE AGRICULTURE GROUP. THE EC DID AGREE THAT THE  
AGRICULTURE GROUP WOULD ASSESS THE RELEVANCY OF  
"HORIZONTAL"PROCEDURES AGREED ON IN OTHER GROUPS.  
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FOR EXAMPLE, IT WOULD SO CONSIDER A STANDARDS CODE  
RECOMMENDED BY THE NTM SUBGROUP ON TECHNICAL BARRIERS  
TO TRADE. REGARDING LDCS, HE SAID THAT THE LATTER  
COULD NOTIFY TO THE SECRETARIAT THE PARTICULAR PROBLEMS  
THEY HAD. (RABOT REFERRED TO THIS AS THE ARGENTINE  
PROPOSAL).

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8. MOST PARTICIPANTS IN THE COMMITTEE WERE CONTENT WITH THE COMPROMISE AS STATED BY RABOT, ALTHOUGH EVIDENTLY MANY WERE MORE THAN A LITTLE CONFUSED BY HIS REPORT. THE FRENCH SAID THAT THIS COMPROMISE LEFT THE ESSENTIAL PROBLEMS UNSOLVED AND ARGUED THAT THE COMMUNITY SHOULD NOT COMPROMISE ITS BASIC POSITION. RABOT RESPONDED THAT HE HAD NO ILLUSIONS AS TO THE FINALITY OF THIS COMPROMISE, BUT FELT IT NECESSARY TO PROVIDE THE BASIS FOR WORK TO CONTINUE IN THE MTNS.

9. LONDON GRAINS MEETING: RABOT TOLD THE COMMITTEE THAT THE COMMUNITY HAD TO DECIDE WHETHER TO PARTICIPATE IN THE LONDON GRAINS MEETING AT THE END OF THIS MONTH. RABOT HIMSELF WAS SOMEWHAT RELUCTANT TO GO ON PARTICIPATING SINCE THE US STATEMENT OF ITS PROPOSAL INVOLVED A STOCKPILING SCHEME WHICH HAD ONLY QUANTITATIVE TRIGGERS FOR STOCKING AND DESTOCKING. HOWEVER, ON THE OTHER HAND, LONDON HAD THE ADVANTAGE OF RUSSIAN PARTICIPATION.

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10. THERE WAS LITTLE POSITIVE SUPPORT IN THE COMMITTEE FOR PARTICIPATING IN THE LONDON MEETING; THE MAIN ATTITUDE EXPRESSED WAS THAT IF THE COMMUNITY AGREED

TO PARTICIPATE, IT MUST DO SO ON THE BASIS THAT THE  
MAIN FORUM FOR NEGOTIATIONS ON GRAINS IS IN GENEVA.  
THE FRENCH WERE YET MORE NEGATIVE, SAYING THAT THE US  
HAD SHOWED ITS HAND, THAT IT WAS WILLING TO TALK ONLY  
ABOUT STOCKS AND ONLY IN LONDON. AT THE OTHER POLE,  
THE UK SAW NO REASON WHY DISCUSSIONS COULDN'T TAKE  
PLACE IN BOTH PLACES. THE CONSENSUS WAS THAT THE EC  
SHOULD NOT REFUSE TO PARTICIPATE AT LONDON, SUB-  
JECT TO COORDINATION AMONG THE NINE BEFORE THE LONDON  
MEETING AND TO CONTINUED PROGRESS IN GENEVA.  
WE HAVE YET TO HEAR DIRECTLY FROM THE COMMISSION  
THAT A FIRM DECISION HAS BEEN MADE).GREENWALD

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